



## *Acquisition Advisory Panel*

*May 23, 2005*



# ***Going where our customers go!***



May 23, 2005



# *For 109 Years, We've Been There*



**From Sutlers' tents  
to frontier stores...**



**Korea, Vietnam...  
and today's new challenges**



**two world wars...**



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# What We Do

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- ✂ Provide quality goods & services at uniformly low prices...

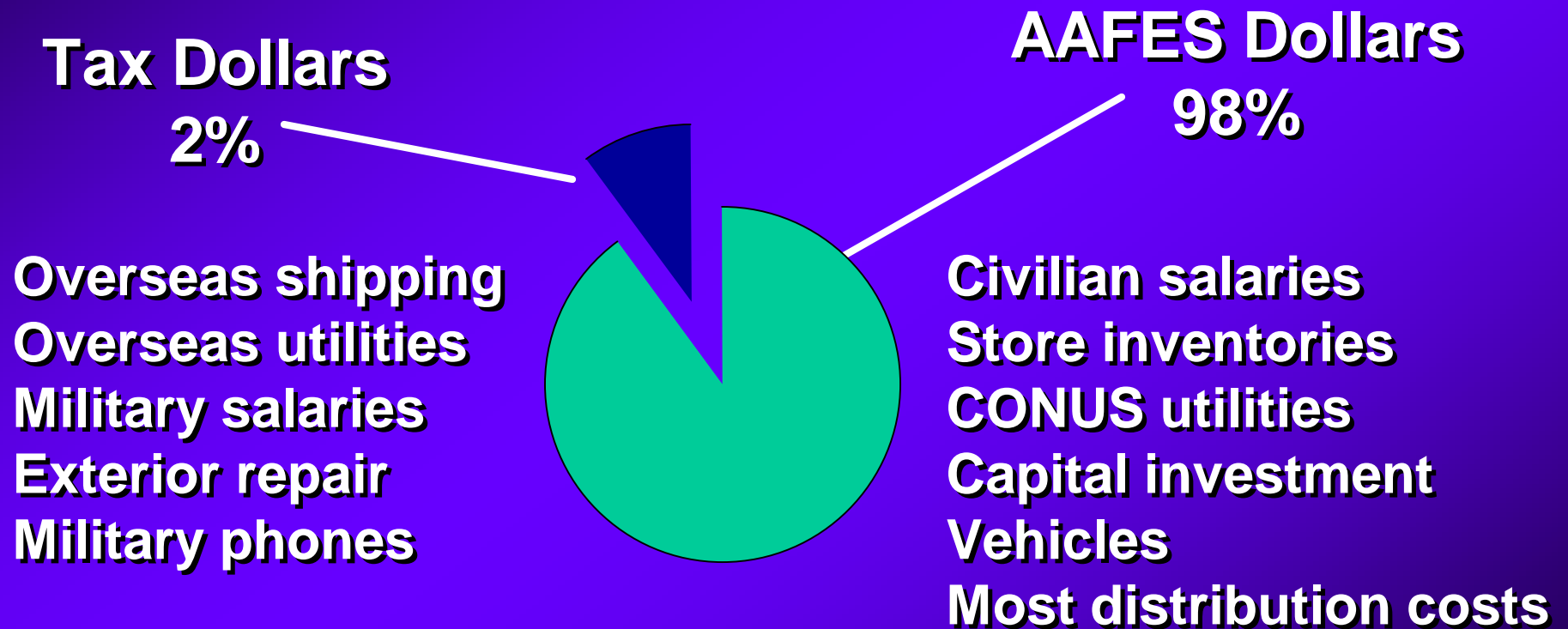


- ✂ and generate reasonable earnings to support the Army and Air Force MWR Programs

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# Who Pays?



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# The Company Store



- ✦ 160 Main Stores
- ✦ 261 Shoppettes
- ✦ Over 5,000 Services & Vending
- ✦ 190 MCSS
- ✦ 701 Specialty Stores
  - ✦ Class Six
  - ✦ Box Office Video
  - ✦ Bookmark
- ✦ 160 Theaters (3 multi-screen, 1 contracted)
- ✦ 2,004 Restaurants

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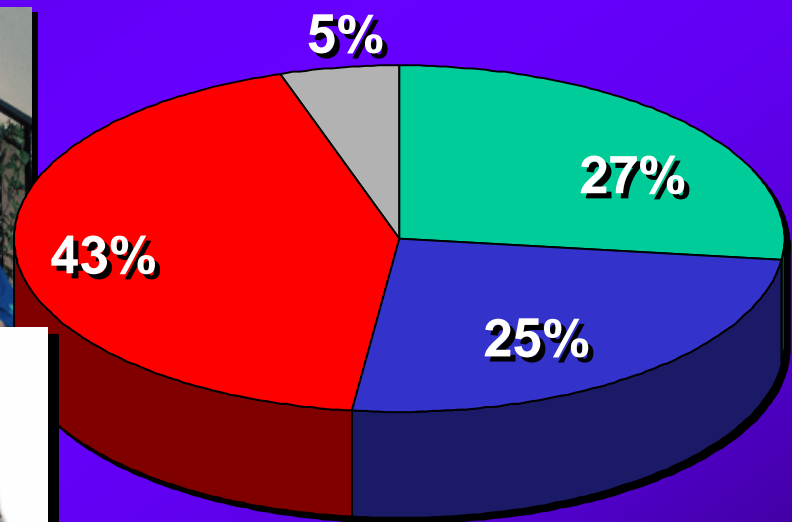




# Serving the Best Customers in the World

✂ 11.5 million eligible customers

✂ 7.6 million Army & Air Force



■ Active Duty

■ Guard/Reserve

■ Retiree

■ Civilian/Other

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# *AAFES Procurement 2004*

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- ✎ \$7 billion to purchase retail goods, supplies, services, construction and equipment.
- ✎ Concessions generated \$1.2 million in sales.
- ✎ More than 45,000 employees worldwide.
- ✎ 216 procurement professionals in headquarters.

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# *AAFES' Legal Status*


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-  AAFES was created by regulation, not statute.
-  AAFES is a nonappropriated fund.  
instrumentality of the United States (NAFI).
-  AAFES is not:
  -  A federal agency
  -  A federal or military department
  -  An independent government corporation or establishment



# *Inter Agency Purchasing*

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 10 U.S.C. 2424 - allows DoD overseas to buy from exchanges up to \$50,000 in “off the shelf” supplies or regular services.

 10 U.S.C. 2492 - allows contracts and other agreements between exchanges and federal agencies.



# *Things That Don't Apply*

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-  Competition in Contracting Act
-  Small Business Act.
-  Most appropriated fund procurement laws.
-  Economy Act.
-  Federal Acquisition Regulation (FAR).





# *Applicable Laws*

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- ✎ Contract Disputes Act and Tucker Act - AAFES can be sued for express and implied contracts.
- ✎ Service Contract Act - minimum wages/benefits for services contract.
- ✎ Buy American Act - applies only to procurement of non-retail items.



# *DoD Regulations*

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- ✍ DoD Directive 1330.9, Armed Services Exchange Policy.
- ✍ DoD Instruction 1339.21, Armed Services Exchange Regulation.
- ✍ DoD Directive 4105.67, NAF Procurement Policy.
- ✍ DoD Instruction 4105.71, NAF Procurement Procedure.



# *NAFI Procurement Policy*

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- ✎ Competitive negotiations to the “maximum extent practicable.”
- ✎ Solicit a reasonable number of sources.
- ✎ Award to responsible offerors who offer the best value.
- ✎ Each contract shall contain certain mandatory clauses.
- ✎ Exception for retail purchasing.





# ***AAFES Mandatory Clauses***

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-  Contract Disputes Act.
-  Prompt Payment Act.
-  Buy American Act if applicable.
-  EEO clause.
-  Examination of Records clause.



# *Purchase of Retail Goods*




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✍ Retail merchandise selection governed by “stock assortment limitations, quality, workmanship, styles, fabrics, fashions, price, consumer trends, customer wants, customer acceptance, availability, and source reputation,” and other factors determined by Commander, AAFES.



# ***Retail Supplier Concerns***

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-  Compliance costs for EEO program.
-  Indemnity and hold harmless clause.
-  Audit clause.



# *Prompt Payment Discounts*

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- ✎ Prompt Payment Act requirements on discounts inconsistent with accepted industry practices.
- ✎ Retail industry evolving toward payment after goods are sold.
- ✎ Prompt Payment starts count on discounts from date of invoice.



# *Types of Shipping Issues*

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## **Shipping related violations**



-  Wrong carrier
-  Incorrect shipping terms
-  Shipment not consolidated
-  Commercial Zone shipments
-  Backorders/partial shipments
-  Less than truckload, should be truckload
-  FOB ship point





# *Charges for Shipping Problems*

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## **Late Shipments**

-  AAFES - \$ 50 per occurrence
-  INDUSTRY - \$ 150–200

## **Return to Supplier**

-  AAFES - \$ 50-\$100
-  INDUSTRY - inbound and outbound freight plus 10% - 15% of the cost of goods

## **Other violations related to shipping**

-  AAFES - \$ 50-\$100
-  INDUSTRY - \$150-\$ 200



# *Service Contract Act*

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- ✎ AAFES concessionaires provide services directly to customers.
- ✎ DoL regulation applies SCA to these contracts.
- ✎ SCA wages and benefits increase cost of services to customers, limit sources.
- ✎ Exception would reduce costs, increase sources.



# *Value-Added Contracting*

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- ✎ AAFES can use Value Added Procurement (VAP) for complicated or highly technical requirements.
- ✎ Award is made to a contractor that offers the best value, not just the best price.





# *Responsibility*

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- ✎ Contracts may be awarded only to offerors with the technical and financial capability to perform.
- ✎ GSA suspended, debarred and ineligible list is checked.
- ✎ Financial resources factor is weighed more heavily when purchasing retail goods.



# Conclusion

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- ✍️ NAFI procurement mirrors FAR principles.
- ✍️ NAFIs have role in inter-agency purchasing.
- ✍️ Increased flexibility is possible and desirable.
- ✍️ Thank you for this opportunity.

